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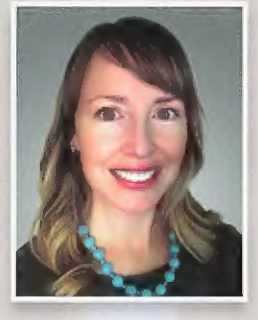

The Governance Institute's 2021 Biennial Survey Is Launched!

In 2021 we are embarking again on our foundational research survey to gain a better, deeper understanding of how the nation's hospital and health system boards are structured, their culture, and which best practices in healthcare governance remain prevalent or which new ones are emerging.

What we learn from this research shows us how far boards have come and how far we have to go. The data shows us your governance priorities and enables us to make stronger recommendations for board structure, education and development, and strategic direction. Most importantly, it is helping us to better understand how and why the actions board members take trickle down to the patient, affecting outcomes, experience, and value.

Member CEOs should have received an email from me with a link to this year's survey. I ask that you take the time needed to complete it and advance this critical research. Governance Institute members who complete the survey this year can opt to have a customized report showing their board's profile compared against the aggregate. Please do not hesitate to reach out to me at any time if you have any questions or concerns at kpeisert@governanceinstitute.com.

Kathryn C. Peisert,
Managing Editor

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Please note: Conference expenses paid for by a board member can be claimed as a donation and listed as an itemized deduction on the board member's income tax return. Please consult your tax advisor for more information.

The Importance of Leadership in High-Performing Organizations

By Flo Spyrow, M.S.N., J.D., FACHE, Northern Arizona Healthcare

Flo Spyrow, M.S.N. J.D., FACHE
President and CEO
Northern Arizona Healthcare

The unprecedented COVID-19 pandemic has challenged all of us in healthcare—clinically, professionally, and financially. The commitment of our Northern Arizona Healthcare (NAH) Board of Directors to continue to invest in continuous process improvement, as well as our workforce, will be the "secret sauce" of our future success.

We measure success in healthcare in many ways, but we know a high-performance organization when we see it. Is the organization achieving the extraordinary results demanded by its mission and set by leadership? Is it earning and honoring the trust of communities it serves? Are leaders recruiting and retaining colleagues and workers who are passionate about what they do, and committed to the mission?

> Among the traits of leadership in highly successful organizations, the differentiating factors are the strength of the senior leadership team and its engagement with physician leaders and the board of directors.

If the answer to all questions is a resounding "yes," congratulations: You're part of a successfully led organization with a positive, healthy culture. You're providing the kind of care you want for your own family. You *are* a role model.

Although we may be tempted to measure success in specific "outcomes," a more accurate measure is the journey; specifically, the foundation we are building for the future. What legacy are we leaving for the leaders who will follow us?

Leadership legacy creates and sustains a culture of accomplishment and pride. This is key to a successful organization and may be the most important accomplishment of any leader. It's your team first—and only secondly your programs and facilities—that will greatly impact your ability to offer high-quality, affordable healthcare to the communities you serve.

Excellence in Everything

Developing a unique approach with tools. At NAH, we've established Excellence in Everything, or EIE, our platform to become a highly reliable organization and continuously drive toward the Quadruple Aim. We blended the Baldrige framework (focus on culture, leadership, and performance excellence) and Six Sigma (focus on pursuit of process variation reduction) to develop our own unique approach to the pursuit of high reliability, differentiation, and amazing healthcare.

Accountable leadership. A key element of EIE is our focus on leadership. Our board of directors recently adopted a set of leadership commitments that position NAH to become a national-scale healthcare leader and embrace EIE by participating in training in governance excellence; personally participating in unit-level performance improvement projects; and holding leadership accountable for quarterly results and deployment of strategic initiatives.

However, we know it "takes an army." Therefore, we linked our board's pledge to a commitment from our physician leaders and senior leadership team to pursue EIE.

Key Board Takeaways

Excellence in Everything (EIE) was created as Northern Arizona Healthcare's unique platform to become a highly reliable organization and continuously drive toward the Quadruple Aim:

- Implementing various tools such as the Baldrige framework and Six Sigma develops our own unique approach to the pursuit of high reliability, differentiation, and amazing healthcare.
- Accountable leadership at every level (physician leaders, board leaders and senior leaders) ensures successful execution of well-deployed goals to and by our workforce.
- Legacy in leadership stems from building a team of leaders and focusing on each individual's strengths, not their weaknesses.

For instance, physician leaders embraced driving value and affordability through leadership in clinical consensus groups. In these groups, physician leaders evaluate care processes and come to a consensus on the highest quality, most efficient and patient-centered care, and then drive standardization towards that ideal care.

The NAH senior leadership team committed to full deployment of key strategic initiatives, insistence on "200 percent" accountability for the EIE journey, and accomplishing the audacious results, measured every six months, set forth in EIE. "200 percent" accountability is a key part of our leadership. It requires that we're accountable not only for our own performance, but also for that of our colleagues. For example, if I see a colleague not implementing required steps to prevent patient falls, I'm accountable to bring that to the colleague's attention and ensure the steps are implemented.

During the development of EIE, we studied the traits of leadership in highly successful organizations. The differentiating factors are the strength of the senior leadership team and its engagement with physician leaders and the board. Integration of administrative, board, and physician leaders is essential to a successful, holistic organization.

At NAH, the board, physicians and senior leadership are highly engaged in delivering amazing care to our communities. There are five values that

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COVID-19: Executive Compensation Considerations for 2021 and Beyond

By Bruce Greenblatt, SullivanCotter, Inc.

The COVID-19 pandemic has presented significant challenges as it relates to the structure and governance of executive compensation programs. In 2020, board compensation committees operated with no clear "playbook" and instead relied on sound business judgment as compensation plan and payout decisions were made.

As we enter 2021, there remains considerable uncertainty as COVID-19 response and recovery efforts continue—creating implications for the design and adjudication of executive compensation programs. Compensation committees should expect to be highly engaged as decisions are made for this year and more strategic program and talent issues are considered. This article summarizes key areas of focus for these committees as they move forward.

Priorities for 2021

During 2021, committees will be faced with decisions that focus on monitoring and adjudicating the executive compensation program and ensuring talent strategies are adapting to current challenges. The focus will be on ensuring that incentives are effective, the program is competitive, talent planning adapts to near-term needs, and optics are considered given the times:

- **Review "real time" market information**: survey benchmark data are a "look in the rear-view mirror" since there is a lag in data collection. Committees should work with their advisors to better understand current market practices, optics, board member opinions, and any regulatory changes. This will be particularly important as the year unfolds since most survey data published in 2021 will have been collected early in the year and reflect 2020 salary actions and incentives rather than 2021 actions.
- **Review temporary program adjustments**: many organizations temporarily reduced executive salaries, eliminated qualified and non-qualified retirement plan contributions, or suspended other executive benefits programs. Some also adjusted incentive award opportunities for the upcoming year. Committees need to determine if those actions will be continued.
- **Understand the potential range of performance outcomes/scenarios**: In light of the uncertain operating environment, performance goals that were established for 2021 may shift as the year proceeds. By being aware of the potential range of performance outcomes under different operating assumptions, committees will be equipped to consider the implications for incentive goals and make any necessary adjustments.
- **Receive regular updates on performance and workforce actions**: Committees should receive updates on the organization's overall and incentive goal performance, as well as workforce actions (e.g., furloughs, layoffs), so they can monitor implications for the compensation program and assess needed actions.
- **Assess annual and long-term incentive program goals**: Using the information on performance and market practice, committees should regularly review annual and long-term incentive goals to ensure they remain appropriate. As needed, consideration can be given to refining goals and determining the role of discretion in adjudicating the plan.
- **Reassess executive positions**: Committees should understand the impact of the evolving environment on required leadership roles. Some existing positions may change due to the consolidation of roles or changes in organization structure, while new positions may be needed to lead important new strategic and operating priorities such as IT security, diversity, equity, and inclusion (DE&I), social determinants, and health equity.
- **Revisit the succession and contingency plans**: Review the executive succession plan to ensure that emergency successors are in place. Determine if there are refinements planned for leadership positions that impact succession plans.

Key Board Takeaways

Guiding Principles for Compensation Committees
Boards and their compensation committees should consider establishing guiding principles to inform actions in response to the uncertainty in the COVID-19 environment:

- Rely on sound business judgment and discretion.
- Consider organization-specific circumstances, including the impact of COVID-19 on performance, management's response, financial sustainability, the work force, patients, and the community.
- Reference the compensation philosophy as responses are formulated.
- Assess alignment with competitor actions.
- Balance internal and external optics—especially if receiving financial assistance and/or implementing furloughs/layoffs.
- Define success factors and strategic/operating priorities as the implications for incentives are considered.
- Mitigate immediate talent risks while maintaining a long-term focus on talent retention and succession planning.
- Ensure transparency to the full board on compensation actions taken.

Broader Philosophy, Program, and Talent Considerations

Organizational strategies, operating priorities, care delivery models, and talent requirements are likely to evolve post-COVID-19. Healthcare organizations will continue to face downward pressures on revenue, which will result in a greater focus on financial sustainability—including revenue growth, diversification, and expense efficiency.

Committees can address the potential impact by undertaking a full review of the executive compensation program and talent strategy.

- **Executive roles and organizational model**: Determine if changes or additional positions are required to lead new and evolving strategies. Evaluate the scope and number of executive roles required to support the organization's business and delivery model. Evaluate the cost of executive leadership and spans of control to ensure they are optimized.
- **Executive compensation philosophy**: Refine the compensation philosophy to account for changing talent needs and program

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The Future of the Hospital

By Jamie Burgdorfer, Rex Burgdorfer, and Alexandra Normington, Juniper Advisory

We began writing this article about the future of acute-care hospitals one year ago. In developing our thesis, we interviewed dozens of hospital CEOs across the country. We analyzed emerging trends in care delivery and considered the need for inpatient services and capacity. We sought out examples of new, forward-thinking partnerships. Then the COVID-19 pandemic hit.

As months went by, we saw our nation's hospitals and front-line caregivers combat a devastating, unfamiliar virus. The lack of a coordinated federal response left states, municipalities, and hospitals to shoulder much of the work. The pandemic stressed the nation's healthcare delivery system to the tipping point. The effects of market fragmentation were visible as hospitals dealt with staff and supply shortages, facilities operating at capacity, and financial uncertainty.

Yet, the pandemic has served as a significant catalyst for change. The evolution of hospitals and health systems that was slowly but surely underway has been advanced by a decade. It has become clear that all but the most acute care is shifting out of the hospital setting. A combination of technological advances, government and commercial payer directives, improved delivery models, and patient preference will make this transition permanent.

Health systems are forging a path forward that focuses on population health and value-based care and no longer centers around acute-care facilities. Hospital leaders and boards of directors are becoming more inventive in their approach to planning for the future. Increasingly, this includes pursuing novel partnerships to access necessary resources and clinical acumen.

In this article, we will explore four types of partnership strategies hospitals and health systems are leveraging to succeed in the future post-pandemic environment:

- Large-scale consolidation
- Payers as providers
- Unique non-change-of-control affiliations
- Technological partnerships

These four trends came up time and again in interviews and will have a dramatic impact on the near-term future of acute-care hospitals.

Large-Scale Consolidation

The number of hospital and health system transactions has remained relatively flat year to year. The size of organizations engaged in transactions, however, has changed drastically. We are seeing larger health systems link-up with their even bigger peers to create expansive multistate networks. Several large, multistate transactions have been announced in the middle of the pandemic, including Sentara and Cone, and Lifespan and Care New England. Several other large-scale consolidations were announced in 2020 (e.g., Intermountain and Sanford, Advocate Aurora and Beaumont), but failed to close.

Transactions of this size will become the norm, not the exception. Even health systems with 10-figure revenues see growth as a necessity to optimize their clinical services, population health capabilities, health plan network, operational scale, and more.

In early 2019, two of the country's leading health systems, Dignity and Catholic Health Initiatives (CHI), joined together to form CommonSpirit Health, a system with more than 140 hospitals spanning 21 states.

"The focus was around creating a better, not bigger health system," said Peggy Sanborn, System Senior Vice President of Strategic Growth for CommonSpirit. "We take our size to enable a more efficient use of resources and a better way to scale innovation. That's where size has really had an impact."

The COVID-19 pandemic hit precisely one year after the formation of CommonSpirit and provided an all-too-real opportunity for the new system to stress test its capabilities.

"The amount of true innovation on delivery models, on self-sourcing for scarce resources like PPE, collaborating across the country, even to the point of being able to move workforce where we need it, has made a real difference," she said.

CommonSpirit is working to expand access to care and eliminate health disparities that have been exacerbated during the pandemic. The health system aims to "demonstrate that, even at scale, you can make [healthcare] very local and solve problems in local communities," Sanborn added.

In 2020, CommonSpirit expanded their partnership with Docent Health, a virtual care navigator platform. Through this partnership, more than 60 CommonSpirit care sites in 11 states have access to an AI-driven network that facilitates comprehensive care coordination, including referrals within the health system and to local community-based organizations. The platform allows CommonSpirit providers to engage the skills of local navigator partners to best serve the individual needs of their most vulnerable patients.[1]

System-level initiatives like this can reduce administrative burdens on individual hospitals, standardize best practices to improve patient outcomes, and generate improved financial returns that hospitals can reinvest locally.

Of course, this is not to say that all standalone hospitals and small health systems will join larger peers. Standalone community systems that can manage costs and deliver exceptional quality will continue to have success. However, the pressure on hospitals without network strength will continue to mount and their partnership options will decrease as

Key Board Takeaways

- Hospitals may find themselves in different competitive environments as they emerge from the pandemic, with large competitors growing, payers succeeding in the provider arena, and new technologies gaining steam.
- Partnerships will continue to be a leading strategy for hospitals in 2021 and will take unique permutations in a post-COVID market.
- Board members and executives should evaluate a broad range of partnership opportunities to ensure their hospital's ability to succeed in the new healthcare paradigm and serve the needs of their communities.

1 "CommonSpirit Health Closes Care Gaps with Personalized, Community-Based Care Navigation in Partnership with Docent Health" (press release), October 14, 2020.

mid- to large health systems focus on expansion opportunities that are meaningful to their ever-increasing scale. Expect more vertical and horizontal transactions between healthcare's biggest participants.

Blurring Lines Between Providers and Payers

The pandemic exposed several levels of disorganization within the country's healthcare delivery system, and no one was watching closer than commercial health insurers. Private insurers control $1.2 trillion of national healthcare spending and have many levers to pull to direct where those dollars are spent.

Payers have already become formidable providers of care. UnitedHealth is the largest employer of physicians in the U.S. and Anthem, Centene, Health Care Service Corp. (BCBS), and Humana all own large physician practices of their own. Payers can best manage cost by guiding members to owned providers, most commonly for primary care and ancillary services. As more care migrates from inpatient to outpatient settings, these payer-backed physician competitors will continue to take an ever-larger bite out of hospital revenues.

It is not just on the care delivery side that payers are finding opportunities. Unique examples of payer-provider collaborations have been materializing over the past year. In 2020, UnitedHealth's Optum formed a relationship with Boulder Community Health (BCH) in Boulder, CO to provide BCH with revenue cycle management, data analytics, and population health support. Optum inked a similar arrangement with John Muir Health in Walnut Creek, CA in 2019.

"Health systems are unique in the sense that we feel we have to do everything. We are in one of the most complexes industries out there. Less complex industries have already pared it down. This partnership takes some things and removes them from our plate so we can concentrate on our core competencies: patient care, the wellness of our community and providing high value," said Dr. Robert Vissers, President and CEO of BCH.

The two organizations have found shared culture and values as they formalized their relationship in the midst of the pandemic. In addition to the financial benefits they hope to achieve together, Dr. Vissers sees exceptional potential for the partnership to affect the health of those BCH and UnitedHealth serve.

Beyond traditional service line or health technology partnerships, some hospitals are creating integrated affiliation structures that stop just short of an acquisition or consolidation. Such partnerships can provide important clinical and operational benefits but, by design, are not intended to last into perpetuity. Boards should contemplate how an affiliation will unwind to ensure their organization is not left in the lurch at the end of its term or is forced into a giveaway because the two entities are inextricably entwined.

"Our scale diminishes our ability to translate our high quality and low cost into great affordability for patients." he said. "If we are more aligned with a payer we can use our value to provide better care to their members. This sets a platform for really interesting wins for the payer, for us on the provider end, and most importantly for our patients and community."

Payers' efforts to build care delivery systems will persist and the number of non-traditional relationships between payers and providers will grow post-pandemic. Providers will continue to seek similar affiliations in order to leverage payers' well-honed capabilities and counteract the diversion of traditional hospital revenue streams.

More Unique Affiliation Structures

Providers crossed geographic and competitive barriers to support one another during the pandemic. The extraordinary collaboration experienced in 2020 demonstrates the benefit of network breadth and depth. It also may lead to neighboring hospitals exploring new ways to work closely together, or even combine, to improve their efficiency in serving the same communities.

Not only did hospitals collaborate with their peers, but they also linked up with public and private institutions such as universities and leading employers in their regions to address pressing issues, including supply chain and data analytics. The relationships formed during this time could prove essential to community health systems in the future.

"The smaller systems that are successful into the future are going to have partnerships on some level. They are not going to be able to survive just on their own expertise, capital and technology," said Flo Spyrow, President and CEO of Northern Arizona Healthcare (NAH) in Flagstaff, AZ. That does not mean that smaller systems' only option is to join a larger organization. Instead, she recommends that providers take a broader perspective in "developing key partnerships in order to shore up their strengths and make them very competitive."

Beyond traditional service line or health technology partnerships, some hospitals are creating integrated affiliation structures that stop just short of an acquisition or consolidation. Increasingly, hospitals are seeking new relationship structures to preserve this collaboration, gain some benefits of scale, and mitigate the stress caused by the pandemic, while also maintaining local autonomy. Implicitly, another goal of many of these affiliations is to develop broader clinical networks to provide services and contract jointly.

While there are certainly significant benefits to be had by developing affiliation relationships, there is often a limit to their outcomes.

"The amount of benefit you can get from a light affiliation is light. The deeper you go in an affiliation model, the more benefit there is to all parties. It is scaled very geometrically," said Sanborn.

Such partnerships can provide important clinical and operational benefits but, by design, are not intended to last into perpetuity. Boards should contemplate how an affiliation will unwind to ensure their organization is not left in the lurch at the end of its term or is forced into a giveaway because the two entities are inextricably entwined.

Technology-Centered Partnerships

The pandemic drove many clinical services outside of acute-care hospitals. It is unlikely that all will return. Both commercial and government reimbursement models, which had been tilting away from hospital-based services, are getting even more sophisticated and are incenting patients to receive care outside of hospitals.

Inpatient care and surge capacity will remain high priorities, but hospitals are doubling-down on new ways to care for patients in the lowest acuity settings. A primary objective for most hospitals is to gain emerging technical competencies that will allow them to better serve their communities' health needs in outpatient facilities or virtually. These capabilities can be obtained through collaborations with other organizations or acquired outright.

NAH serves a sweeping rural area covering 50,000 square miles. The health system views telehealth capabilities as a critical component of its strategic plan. An early adopter of remote monitoring technology in 2012, NAH is exploring alliances with rural providers across its market to provide home visits for patients being monitored in more isolated areas.

"We are thinking about partnerships on a much broader basis than how we thought about them in the past. I think that's a really positive change for rural healthcare," said Spyrow.

The growth of NAH's remote monitoring program will serve as the bridge as the health system develops more robust "hospital-at-home" services. However, the growth of these services will have an impact on how NAH approaches the construction of a replacement facility for its flagship hospital.

"We are looking leaner from a hospital perspective. We believe that a lot of care that can be given outside will be driven outside, but we need high acuity, technology-equipped rooms. We need flexibility to move between med-surg to more high-level care. We need that flexibility to have double or triple the number of ICU beds at any point in time than we might have on the average," said Spyrow.

Technological evolution is imperative for hospitals as they strive to provide quality care for their patients at the right time and in the lowest acuity setting. It is also critical to meet consumers' rising expectations and remain competitive in their markets.

Unlike acute care with high barriers to entry, the migration of care outside of hospitals invites new competitors. Hospitals must be poised to leverage technological advances to meet consumers' preferences and expectations.

"We're going to have Walmart, Amazon, CVS, and others that are competing and going to be attempting to cherry pick certain patient populations or certain services," said Christian Lagier, Cofounder and Managing Director of TechSpring, a healthcare technology innovation center created by BayState Health, a system based in Springfield, MA. "That means consumerism is here to stay, and for us at BayState, it is an absolutely pivotal cornerstone of our go-forward strategy."

TechSpring employed horizon planning and multidisciplinary fusion teams of staff and outside experts to help BayState and other health systems that contract with them to ramp-up their technical capabilities when the COVID-19 pandemic hit. The digital resources hospitals stood up rapidly in response to the pandemic are now, in many cases, being viewed as permanent care delivery solutions.

"Right now, 70 percent of our primary care visits are virtual. Many people have had an experience of virtual care and use of technology. People have had that experience and that genie probably cannot go back in the bottle," said Lagier. However, he cautions, health systems must bring their patients along for the journey, ensuring that they can access digital tools and have a level of comfort in using them.

Hospital-at-home and other technological initiatives will gain steam as health systems develop the technology, staffing, reimbursement mechanisms, and critical patient mass in this arena. But savvy providers won't take this business for granted. Unlike acute care with high barriers to entry, the migration of care outside of hospitals invites new competitors. Hospitals must be poised to leverage technological advances to meet consumers' preferences and expectations.

Final Thoughts

Facing unprecedented pressures, hospitals and health systems have demonstrated, time and again, their critical role as cornerstones of the communities for whom they care. The strategies healthcare leaders implement in the coming years to uphold their mission to serve will be bolder and broader than in the past.

Reimbursement models, consumerism, the ongoing shift of care outside of acute facilities, and growing resource needs have been recent catalysts for change in hospitals. The experience of a global pandemic has only served to amplify these drivers and the collective understanding that a material evolution must occur in our nation's healthcare delivery system to ensure the health of all populations. The renewed need to develop coordinated networks of care will spur ongoing market consolidation through M&A and other progressive, yet looser, partnerships.

Most non-ownership exchange arrangements have one goal: to improve operating and clinical performance while retaining governance control (i.e., remaining independent). However, most transactions in which some level of ownership is transferred, whether through a joint venture or membership substitution, can bring about significant benefits. These include cost containment, access to capital, clinical expertise, and scale.

Sustainability versus varying degrees of autonomy will be the largest subject of discussion in boardrooms over the next decade, as directors re-center their organizations post-pandemic and assess strategies that leverage scale and collaboration to develop the systems of wellness and care of the future.

The Governance Institute thanks Jamie Burgdorfer, Principal, Rex Burgdorfer, Partner, and Alexandra Normington, Director of Communications, Juniper Advisory, for contributing this article. They can be reached at jburgdorfer@juniperadvisory.com, rburgdorfer@juniperadvisory.com, and ANormington@juniperadvisory.com.

An Infusion of Empathy, Part 2: The Empathy Elixir for Innovation and Change

By David A. Shore, Ph.D., Harvard University

The following is the second article in a three-part series that looks in-depth at the power of empathy as a valuable asset to enable innovation and change in healthcare organizations.

Empathy is one of the most powerful tools at an organization's disposal, both in combating COVID-19 and contributing to innovation and change. Empathy is predicted to be a key differentiator between companies that will thrive after the pandemic and those that will fall to the disruption. However, not all employees have the same outlook on their organizations' ability to be empathic. In one survey, executives were 16 percent more likely than individual contributors to have a positive view of how their organization has empathized with their individual circumstances during the pandemic.[1]

There are limits to empathy along with a cautionary note around empathy fatigue. Researchers have long known that empathy does not necessarily lead to action. Nor, does mere rhetoric about the need to empathize change behavior. What we *really* need to practice are exercises that can lead to action.[2]

Empathic physician communication is defined as a physician's recognition or elicitation and response to patients' concerns in order to communicate understanding, alleviate distress, and provide support.[3] It has been associated with higher rates of patient satisfaction, treatment adherence, and enablement across a number of studies.[4] It also leads to lower levels of psychological distress.[5]

Unfortunately, physicians working in oncology settings frequently (70-90 percent) "miss" empathic opportunities,[6] which occur when such an empathic opportunity is presented by a patient and not responded to by a physician.

The poet Maya Angelou reminds us, "People will forget what you said, people will forget what you did, but people will never forget how you made them feel." Empathy is effective in part because it doesn't require a solution. It only requires understanding. The next step would be to take action (compassion).

Key Board Takeaways

- Empathy alone does not necessarily lead to action. Leaders need to implement exercises that build empathy *and* facilitate change.
- Design thinking informs human-centered innovation. When design principles are applied to strategy and innovation, the success rate dramatically improves.
- The empathy-building activities in this article build stakeholder intimacy—a deep, visceral knowledge of stakeholders, their problems, and their needs.

The Connection between Innovation and Empathy

Innovation requires connecting with the world and affecting it in meaningful ways. Innovation and change emanate from a place of empathy and compassion ("I feel your pain" and "I want to do something about it"). Without an empathic disposition, the ability to imagine what a situation is like for others becomes difficult and will diminish creative problem solving. If we cannot empathize with the struggles of others, how will we create innovative solutions to meet the needs of the populations we serve? This helps explain why empathy for the people you help is the first step in design thinking. Determining what people want and need is the first essential step to giving it them.

What do we mean by empathy in terms of creativity and innovation? As David Kelley, founder of the world-renowned design consultancy IDEO states, "For us, it's the ability to see an experience through another person's eyes, to recognize why people do what they do. It's when you go into the field and watch people interact with products and services in real time—what we sometimes refer to as 'design research.' Gaining empathy can take time and resourcefulness. However, there is nothing as beneficial as observing the person you're creating a product or service for to spark new insights. When you specifically set out to empathize with your end user, you must remove your own ego from the equation. Determining what other people actually need leads to the most significant innovations. In other words, empathy is a gateway to the better and sometimes surprising insights that can help distinguish your idea or approach."[7]

Design thinking informs human-centered innovation. It begins with developing an understanding of customers' or users' unmet or unarticulated needs. When design principles are applied to strategy and innovation, the success rate dramatically improves. Design-led companies have outperformed the S&P 500 over a 10-year period by an extraordinary 211 percent.[8]

We find that many organizations don't have an innovation problem. Instead, they have a trust and empathy problem. Empathy has proven to be an effective tool in convincing people of the merits of change. Innovation

1 Kotter and Entromy, *Managing COVID-19 Challenges + Identifying Opportunities: How Does Your Organization Compare?*, Kotter, 2020.

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3 C. Pehrson, et. al., "Responding empathically to patients: Development, implementation, and evaluation of a communication skills training module for oncology nurses," *Patient Education and Counseling*, Vol. 99, No. 4, 2016; pp. 610-616.

4 F. Derksen, et al., "Effectiveness of empathy in general practice: A systematic review," *British Journal of General Practice*, Vol. 63, No. 606, 2013 (pp. e76–e84); S. S. Kim, et. al., "The effects of physician empathy on patient satisfaction and compliance," *Evolution & the Health Professions*, Vol. 27, No. 3, 2004 (pp. 237–251).

5 S. Lelorain, et al., "A systematic review of the associations between empathy measure and patient outcomes in cancer," *Psychooncology*, Vol. 21, No. 12, 2012 (pp. 1255–1264).

6 L. Hsu, et al., "Providing support to patients in emotional encounters: A new perspective on missed empathic opportunities," *Patient Education and Counseling*, Vol. 88, No. 3, 2012 (pp. 436–442).

7 Tom & David Kelly, "Thayer School Investiture 2014: David Kelley's Speech" (http://youtube.com/watch?v=5wvWZJ5muF8&t=3m46s); and David & Tom Kelley, *Creative Confidence: Unleashing the Creative Potential Within Us All*, Penguin Random House, 2013.

8 2015 Design Value Index created by the Design Management Institute and Motiv Strategies. The Design Management Institute DMI Value Index 2015, retrieved from www.dmi.org/page/2015DVIandOTW.

and change start with empathy and open dialogue.

Empathy-Building Activities

If there is a "secret sauce" to empathy, it is stakeholder intimacy—a deep, visceral knowledge of stakeholders, their problems, and their needs. By extension, empathic leadership involves empowering employees so they feel that they are helpful in fulfilling a meaningful mission. Leaders must be empathic in order for their teams to be empathic. One way to accomplish this is to immerse people into the world of those you are trying to help.

Multiple paths to empathy should be included in the manager's tool kit. Empathy can take people out of their comfort zone (e.g., "I wasn't taught that in business school"). Listening with empathy means striving to really understand what the person is going through. Empathy comes more easily to some, but it is a skill that can be learned using the empathy-building exercises below.

Become a "questionologist." There is great value in trying to meet people where they are; to understand what is preventing them from adopting change, and to support and mitigate the barriers to change. Master clinicians and great leaders ask non-judgmental questions, and then they shut up and listen. After all, we enter a crisis knowing only about 20 percent. The other 80 percent is discovery.[9] Questions such as, "how do you feel about this change?" or, "what about this change makes it difficult?," open the door to problem-solving. Listening with empathy involves active listening to really understand what the person is experiencing. Asking team members how they feel and validating those feelings is a powerful exercise that can reduce the raw intensity of an emotion by bridging the gap between thoughts and feelings.

Humble inquiry[10] focuses on building trust with the other person. With humble inquiry, you must explore the reasoning behind their behavior in an unbiased and non-judgmental way.

Acknowledge the current state. Another early step in expressing empathy is to verbally acknowledge one's expressed fear, anxiety, or any other related manifestation of distress. Since empathy does not come easily to all, these examples illustrate possible responses. This acknowledgement can take the form of an empathic personalized response that uses "I" statements such as:

- I understand why you are frustrated.
- I will discuss your concerns with the leadership team and try to find a resolution.
- I recognize it's overwhelming when staff members aren't feeling well.
- I'm sorry you are going through this.
- I know this must be really difficult.
- How can I help you with this?
- Thank you for sharing this with me. (Default for when you are not sure what to say.)

Assess the current state. Collect survey data on the current state with polling questions such as: Do you feel your organization/manager nurtures empathy? Is empathy one of your organization's core values? Do you think empathy from your manager would be valued in your organization? You need to meet people where they are and attempt to understand where their resistance is coming from. The first step to mitigating the barriers comes from a place of empathy.

Paraphrase. Repeat what is said to you in your own words to make sure you're hearing correctly, or ask questions to clarify their meaning. A form of teach-back, in which you repeat back what you heard in a different way to confirm understanding, has great value on multiple levels. Leaders often find it fruitful to mirror statements back in the form of questions, creating deeper conversations that go beyond roadblocks:

- If I'm understanding correctly, you're upset because...
- Let me know if this is correct (insert what you believe is the issue)
- What you're saying is...
- It sounds like the issue is...

Validate their emotions. Even if you don't agree with an opinion, you can acknowledge the person's right to their feelings. Empathy fights fear.

Case vignettes. Another tool for your toolbox is to posit case vignettes or concerns and have teams develop empathic responses:

- Considering COVID, I don't know if it's safe to come to work.
- The team just learned about the change initiative and is getting really worried.
- We didn't need this right now. We are short two team members and I know this is going to be time-consuming.

We find opening statements such as, "I hear you and I know how hard this is for you" go a long way in soothing anxiety. In the absence of such responses, team members often minimize their fears, while hiding uncomfortable feelings.

Volunteering. Based on a belief that awareness is the first step to resolving any problem, many Singapore school students are required to visit charity organizations or nursing homes once or twice a year.

Other empathy-building activities include sitting in the "hot seat," in which stakeholders must take a view contrary to their own, and practicing mindfulness techniques. Collectively, the purpose of these activities is embodied in a quote from Dwight Eisenhower: "Farming looks mighty easy when your plow is a pencil and you're 1,000 miles away from a cornfield."

The next step for boards is to discuss these empathy-building activities with their CEOs and determine effective ways to build them into the culture and day to day operations of the organization. The final article in this series will illuminate some key ways to build a culture of empathy, including the role of the board.

The Governance Institute thanks David A. Shore, Ph.D. for contributing this article. Dr. Shore is a former associate dean of Harvard University where he continues to teach and lead professional development programs. He is also the former distinguished professor of innovation and change at Tianjin University of Finance and Economics (China). He serves on various boards including McKinsey & Company and the Marshfield Clinic Health System. He is senior consultant on innovation at the United Nations. He can be reached at dshore@fas.harvard.edu.

9 David A. Shore and Raman Gandhi Solanki, "How Sympathy, Empathy, and Compassion Can Help Workplaces Survive the Pandemic," *Yahoo! Finance*, August 14, 2020.
10 Edgar H. Schein, *Humble Inquiry: The Gentle Art of Asking Instead of Telling*, Berrett-Koehler Publishers, 2013.

The Importance of Leadership...

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every colleague at NAH lives by and "Do Amazing Work!" is one of them. I don't use the term "Amazing" lightly: Amazing means doing the unexpected, exceeding expectations, being fully accountable, and working smarter, not harder.

Leadership must value the workforce, or as we say at NAH, "care deeply for those who work for us." Down the line, "at the bedside" is where the work gets done. EIE engages our colleagues and providers to improve our systems and processes to deliver highly reliable care. Optimization may require performance improvement by working with operational and clinical leadership to use data to drive evidence-based practice. Additionally, quality, communications, finance, and information technology must be part of the conversation to achieve rapid cycle changes.

These changes then play out at the bedside, in service-line development and care process changes, all to benefit the patient. Integrating the work of leadership with aligned goals is foundational to EIE.

As I look across the country to see who is doing it better—for example, who is down to zero employee injuries year after year—I realize how far we have to go in healthcare. We owe it to our employees to deliver a consistently safe work environment, just as we strive to deliver error-free care to all patients we serve.

Focusing on strengths. Although EIE focuses on teamwork and performance, leadership development is a key responsibility of senior leaders at NAH. We're fortunate to have the opportunity to nurture many high-performing, highly talented leaders. We focus on leaders' strengths, not weaknesses, to build talent. We implemented a consistent succession planning process for all leadership levels. This program is expanding to add a professional development program for high-performing, high-potential leaders. We also invest in high-performing directors who help integrate the EIE culture throughout NAH.

Although I'm proud of the awards Northern Arizona Healthcare has earned, success is not about awards. We're not on a journey to receive the Baldrige or any other award. Our goal is to achieve high performance that would deserve winning the country's highest award of excellence. EIE demands commitment, endurance, and courage to leave a legacy of improving health and healing people throughout northern Arizona. Will we ever achieve excellence in *everything*? Time will tell and we're sure going to try.

The Governance Institute thanks Flo Spyrow, M.S.N., J.D., FACHE, President and CEO, Northern Arizona Healthcare, for contributing this article. She can be reached at flo.spyrow@nahealth.com.

COVID-19: Executive Compensation...

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requirements. Update peer groups to accommodate broader sources of talent, such as general industry for leaders of new businesses, and consider incorporating more flexibility around target market positioning to account for evolving competitiveness and cost optimization needs. Determine if the philosophy should be segmented for the unique needs of each business. For instance, growth areas and those recruiting from general industry may require more incentive pay, while traditional healthcare delivery and academics may require more fixed pay.

- **Incentive programs**: review the incentive programs to determine if performance measures and goals should be adjusted to reflect new priorities. consider if the weighting of some goals should be changed to reflect a shift in emphasis, such as greater weight on financial sustainability, or if new goals, such as diversity, equity, and inclusion (DE&I), should be introduced (see more below). Determine if the balance of annual and multiyear goals is appropriate and evaluate the role of short-term and long-term incentive programs. Review circuit breaker provisions to determine if changes are needed in light of financial uncertainty.
- **Severance and change in control provisions**: with the possibility of expense reduction initiatives and merger and acquisition activity, severance and potentially change in control provisions should be reviewed to ensure the organization and executives are appropriately protected at a reasonable cost in the event of an involuntary termination.
- **Executive talent strategy**: assess talent risk by evaluating succession plans and adjusting them to reflect changing talent requirements and executive team composition. Ensure that development and/or recruitment plans are in place to manage succession and new/emerging roles.
- **Diversity, equity, and inclusion**: committees should plan for DE&I to be a more prominent part of their agenda, including executive team composition and pay equity. Incentive programs will increasingly incorporate DE&I goals to link rewards to attainment of priorities. Determine the role of the committee in DE&I oversight for the executive group.

Conclusion

The environment remains dynamic. Disruption will be expected with COVID-19. Committees should ensure the organization is prepared to address a range of potential challenges—many of which may significantly impact the executive compensation program and broader talent strategy—and remain flexible to allow for actions that may be needed.

The Governance Institute thanks Bruce Greenblatt, Managing Principal, SullivanCotter, Inc. for contributing this article. He can be reached at brucegreenblatt@sullivancotter.com.

Storm Born Strategies...

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to finish those? It is. Do them. These advancements are getting more affordable and less prone to error all the time. Easy wins.

As consumers emerge from their burrows, there will be a desire to go places again. Yet some 2020 rituals will remain. We should feed off the virtual component of care that has touched so many while enhancing the physical experience where our revenue generating power largely still resides. Our ability to straddle these worlds will have a lot to do with future success in the eyes of our patients.

If in doubt about what consumers want, ask them. When NRC Health's consumer survey, known as Market Insights, asked which innovations they wish their providers would pursue, consumers pegged tech-based improvements in five of the top six (see exhibit below).

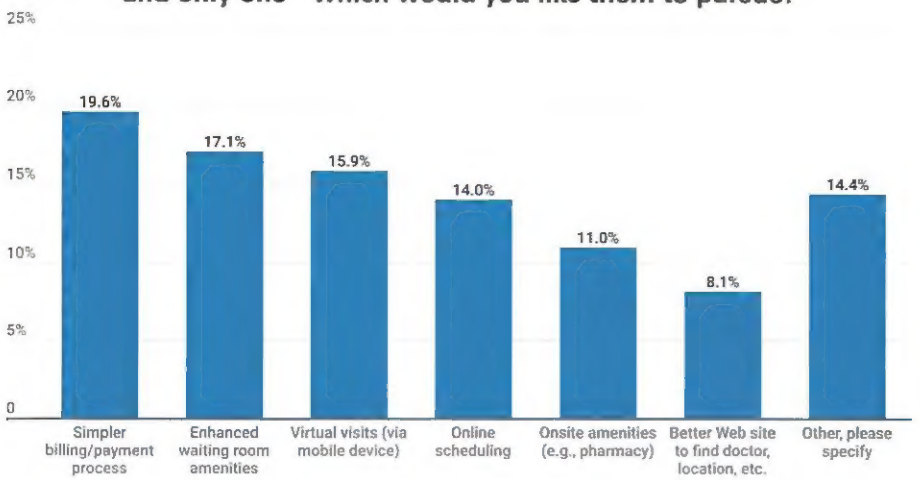
The Hybridization of Virtual and Physical Healthcare

The last thing we want is consumers fresh off a friction-free telemedicine visit to get dumped into an undesirable physical experience. The power of a physician consultation from the couch can be drained by an arduous experience in a stuffy old doctor's office. Now that we have a better-established suite of virtual offerings, we can begin to intentionally meld them with our physical offerings. Consumers look for three things:

- Continuity of brand/image (how things look/feel matters)
- Continuity of customer service (how you are treated shouldn't vary between settings)
- Continuity of value (an affordable first experience can be wiped out by eventual sticker shock)

Consider Apple: their Web site is impeccably stylish yet refreshingly useful. They categorize their products along the top, walk you through configuration and comparison, and offer a speedy one-page buy. If you do stumble, their chat support seemingly descends from the sky with the exact answer you need. What if you walked into their store and found a dusty labyrinth littered with confusing models and shady pricing structures? What if the few people manning the store were unhelpful or insisted you stick to their way or the highway? You'd say: "I've been had! That shiny Web site was merely a mirage!" You don't separate the experiences. They're part of one long journey.

If your local hospital could pursue one of the following improvements—and only one—which would you like them to pursue?



Source: NRC Health's Market Insights survey of consumers, 2018, n size = 19,778.

Our challenge is ensuring these virtual and physical worlds feel like they orbit the same sun. Because they should. And if we achieve some level of consistency, we have reshaped the consumer journey of care to feel more like one straight path instead of a winding, broken road. Consumers who feel they have one seamless (or close to it) journey are more likely to take that journey again and more likely to advocate that family, friends, and anyone else in their sphere of influence follow their lead.

While time stands still, we should think about where we want to go when it starts moving again. To get there, let's use the strategic compass we never knew we had: the people we serve.

No matter how wonderful we believe an innovation can be, it must be delivered by our employees. They are the perfect test audience. They too, are consumers. We should ask them what they want next, from both the employee and consumer perspective. We should bounce our ideas off them in surveys and workshops. This isn't expensive but requires intention to ask, listen, and be willing to act on good ideas shared. And we might be surprised by what we hear.

Let's enjoy the goodwill heaped upon our caregivers and celebrate the positive virtual experiences our consumers and patients have received. Times have been insanely challenging. But let's not overlook the power to keep this momentum rolling when the fog of COVID-19 breaks. When it does, we risk stumbling out and falling behind our consumers once again. Instead, let's allow those we serve to lead us to what's next. If we listen along the way, we will ensure our strategies and innovations are lighting the path for our patients to a better healthcare world. Wouldn't that be a great place to land our plane?

The Governance Institute thanks Ryan Donohue, Corporate Director, Program Development, NRC Health, and Governance Institute Advisor, for contributing this article. He can be reached at rdonohue@nrchealth.com.

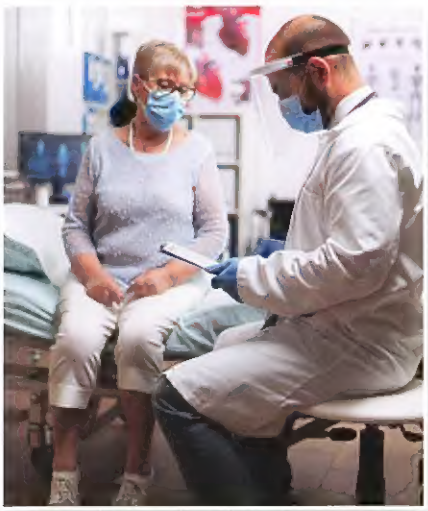
Storm Born Strategies: Driving Innovation in the Time of COVID-19

By Ryan Donohue, NRC Health

Innovation never happens on an island. We may envision our next big thing conjured up in a lab where it can be tested and tweaked before (or if) it hits operations, but reality denies such a fantasy. Let's examine COVID-19 and the telemedicine boom. For years healthcare providers adopted telemedicine at a pace that would make a glacier look fast. While other industries harnessed technology to transform their offering, healthcare demanded that you show up, sit down, and fill out endless forms. The virus blew the doors off in-person visits and immediately tested those slow-moving telemedicine initiatives. Any remaining opposition to virtual care was violently shushed.

2020 was the poster child for fix-while-you-fly. Providers who grew and adapted to challenging circumstances quickly reaped the rewards of ingenuity and resilience: loyal, satisfied patients.

In March 2020 alone, telemedicine visits in the U.S. more than doubled.[1] Jefferson Health in Philadelphia, PA reported more telemedicine visits in spring 2020 than the previous five years combined.[2] This rapidly changing situation invokes one of my favorite management phrases: "sometimes you have to fix the airplane while you fly it." 2020 was the poster child for fix-while-you-fly. Providers who grew and adapted to challenging circumstances quickly reaped the rewards of ingenuity and resilience: loyal, satisfied patients.



We all want to make healthcare a better place. Unless you're planning to start a brand-new hospital from scratch, you're up in the air with everyone else. COVID-19 continues to disrupt our industry in previously unimaginable ways. It would be easy to hunker down, to mothball any innovation attempts until we're out of the fog. But when will that be? And while time stands still, we should think about where we want to go when it starts moving again. To get there, let's use the strategic compass we never knew we had: the people we serve. Our patients. Our consumers. The recipients of our innovation and the victims of our stagnation.

Resetting Our Strategic Plan to Include Consumers

2020 brought everything to its knees. Including our carefully plotted strategy plan. We can pick back up and resume pretending we know what will happen in the next five years or craft a more agile, short-term plan with consumers as the inspiration. If 2020 contains a silver lining, it is that we have received some well-earned goodwill with the masses. The positive press for healthcare workers and their employers cannot be overstated. Nor will it fade fast. There is a newfound appreciation for what healthcare providers offer our society. A rediscovered purpose. We should first pause to revel in the power of being recognized in this way, and then we should move decisively to channel it into a revised post-COVID strategy.

Enter consumers. Willing collaborators on innovation, consumers seek change in nearly all aspects of healthcare. We know access, engagement, and value top their wish list. What can we do to improve consumer access to our care system? How can we better engage them once they have entered that system? How do we ensure they have seen, felt, and internalized the value we have provided once they have left? And perhaps most importantly, how do we ensure they will come back to us when they need care again?

Consider the common thread of consumer demands: technology. The vast majority of U.S. consumers have witnessed the tech revolution in other industries. They have experienced these other products and services more than healthcare. When they do visit their doctor or stay in a hospital, they expect tech. So, if you have contemplated offering online scheduling, posting physician ratings and reviews, creating a seamless smartphone app to better educate and inform your future patients, and you're wondering if now's the time

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Key Board Takeaways

Advancing Consumer-Centered Innovation during COVID-19:

- The board uniquely represents an outside view and must take up the mantle of consumers and patients to ensure innovation is centered on those who receive care; newer board members are more adept at conveying this "outsider view" and should be given the chance to provide input.
- "Healthcare heroes" is a watershed moment for healthcare to flip negative perceptions and start a fresh conversation with consumers about the importance of healthcare and the value it brings.
- Scrap the old strategic plan; the board should be revisiting the organization's future in light of technological expansion and what consumers want (both virtually and physically) in the near term.
- Employees are a vital source of insight and can serve as an early sounding board for consumer-centered innovation; they also hunger to be included and will support initiatives that they feel include their perspective in the development process.
- Don't stick to your guns post-COVID and assume healthcare will return to normal. It's unlikely anything—even healthcare—will revert to its pre-pandemic conditions entirely.

1 Kat Jercich, "CDC: Telehealth visits more than doubled in March 2020," *Healthcare IT News*, November 2, 2020.
2 Stephen K. Klasko, M.D., M.B.A., Healthcare Economics Summit, August 2020.